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C O N F I D E N T I A L SECTION 01 OF 02 ROME 000315

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TAGS: [EUN](#) [KNNP](#) [PARM](#) [PREL](#) [IR](#) [IT](#)
SUBJECT: ITALIANS CALL FOR "DEEP REFLECTION" ON EU IRAN
STRATEGY

REF: A. SECSTATE 24292
[1](#)B. ROME 298
[1](#)C. ROME 249

Classified By: ECMIN Tom Delare for reasons 1.4 b. and d.

[1](#)1. (C/NF) Summary. MFA Deputy Political Director Fillipo Formica told ECMIN on March 11 that GAERC discussions on Iran were "confused" and that a final decision on additional EU sanctions has been postponed until the next FMs meeting. At the GAERC lunch discussions on Iran, the GOI questioned EU High Representative Solana's role, and called for a reappraisal of EU strategy towards Iran. Formica said GOI objections to the proposed sanctions list are not based on any specific entity (read Bank Melli), but are focused on EU-3 process. At the same time, Formica said the GOI will press for immediate implementation of UNSCR 1803 at the EU. Formica said press stories about possible oil and gas "incentives" for Iran propelled the GOI to call for a strategic reassessment at the EU and for expanded participation Eu member state participation on Iran strategy development. End summary.

[1](#)2. (C/NF) On March 11, ECMIN called on Deputy Political Director Fillipo Formica to follow-up on Reftel A points regarding Bank Melli and to clarify the Italian position at the March 10/11 GAERC discussions in Brussels. Commenting that he had only received a brief readout, Formica said that the GAERC outcome on Iran was "confused." Due to his mother's death, FM D'Alema did not travel to the summit and Under Secretary Crucianelli represented the Italians.

[1](#)3. (C/NF) Formica reported that over lunch the GOI argued that the EU-3 cannot act alone on Iran matters; three members do not represent the whole 27. The GOI called for a deep examination and "reflection on strategy vis-a-vis Iran." Formica said other countries, including France and Germany, signaled their agreement with the GOI position and shared concerns that broader participation is needed on Iran. Formica also expressed frustration about the fact that a draft of UNSCR 1803 was not shared with the Italians and they were not included in the discussions over the resolutions. Formica said Italians were "shocked" to hear of "new incentives for Iran in the oil sector." Pointing to this new turn in EU-3 negotiations over Iran, he said this was the catalyst which prompted the GOI to step back and call for a rethinking on the of the EU direction on Iran. Formica gave the Kosovo contact group as an example for future GOI engagement with Iran. In other words, all 27 members may not be involved, members who have a direct connection should be

consulted on next steps.

¶4. (C/NF) Underscoring that Iran was feeling the burden of sanctions, ECMIN asked why the GOI seemed adverse to move on Bank Melli. Formica responded the information passed on Melli by Treasury U/S Levey to Castellena on March 7 was helpful (Reftel A). He added that the GOI had asked France and UK for similar information, but never received a response. He urged that information on entities be shared earlier and at the working-level, because "you never know what the Ministers will do." ECMIN noted that Bank Melli does less business in Italy than both Banks Saderat and Mallat and our GOI economic contacts have told us they did not fear economic repercussions from additional sanctions. (Note: According to Bank of Italy Anti-Money Laundering Expert Pierpaolo Fratenglo, Bank Melli owe about 20 million Euros to Italian banks, most of this appears to result from export finance operations.) Formica explained that the GOI's difficulty in coming to a decision on Iran and Bank Melli was about broader issues, and was not a specific objection to sanctions directed at a specific bank or entity.

¶5. (C/NF) Despite the events at the GAERC, Formica emphasized that the GOI is concerned over Iran's ongoing nuclear program. ECMIN pressed Formica to articulate a timeline for when autonomous sanctions would be considered. Formica said the sanctions would be on the next GAERC agenda, but said GOI is pushing for immediate EU implementation of 1803 in the coming two weeks. Formica said that the GOI read El Baradei's new report seriously, particularly paragraph 57 dealing with weaponization issues.

¶6. (C/NF) Comment: Formica articulated what we've been

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hearing this last week, that the Italian objection is not based on Melli as a specific entity, but founded on concern over the entire EU-3 process and their absence in it. That said, we are exploring if there are personal connections to Melli or other entities that could alter the decision making process. An MFA contact suggested to us that "personal financial considerations" might be involved in the GOI decision to object to sanctions against Bank Melli. We have seen press reports about possible oil and gas incentives in Iran; Political Director Terzi referred to it in his earlier meeting with ECMIN (reftel B), but have not heard anything more from the Italians. The Italian parastatal energy company ENI is already active in Iran and the Italian private sector company Edison recently signed an MOU with the Iranians. End Comment.
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